

INTRODUCTION

The Mill Fork State Lease ML-48258 tract and adjacent Federal Lease UTU-84285 lies within the Huntington Canyon-Gentry Mountain and the Ferron Canyon, Cottonwood-Trail Mountain Multiple-Use Evaluation Areas as described in the Manti-La Sal National Forest Land and Resource Management Plan (Forest Plan). The Forest Plan Environmental Impact Statement (EIS) and record of Decision makes these areas available for consideration for coal leasing.

COAL LEASING PROCESS

The first step in the leasing evaluation process was to delineate a tract. Tract delineation was completed by the BLM on October 2, 1996. Named the Mill Fork Tract, the area encompassed approximately six thousand four hundred forty (6,440) acres.

A no action alternative and three action alternatives were developed during the Environmental Assessment process to provide a full range of reasonable alternatives that sharply define the significant issues.

A. Alternative 1 - No Action

Forest Service would not consent to, and the BLM would not approve leasing.

- B. Alternative 2 - Offer for lease with standard BLM Lease Terms, Conditions and Stipulations**
Forest Service would consent to, and the BLM would approve, offering six thousand four hundred forty (6,440) acres, as delineated for competitive leasing. The lease would only have the standard BLM terms, conditions and stipulations that are included on the BLM coal form.
- C. Alternative 3 - Offer for lease with application of Special Coal Leasing Stipulations for Protection of Non-Coal Resources**
Forest Service would consent to, and the BLM would approve, offering six thousand four hundred forty (6,440) acres, as delineated for competitive leasing. The lease would have the standard BLM terms, conditions and stipulations that are included on the BLM coal form along with eighteen (18) Special Coal Lease Stipulations from Appendix B of the Forest Plan and two (2) additional tract specific stipulations.
- D. Alternative 4 - Offer a modified tract for lease with application of Special Coal Lease Stipulations for Protection of Non-Coal Resources**
In addition to those activities addressed in Alternative 3, Alternative 4 specifically focuses on concerns identified as water issues. The portion of the lease tract east of the northeast quarter of Section 7 is removed from the leasing offering, to protect the water quality and quantity of Little Bear watershed and spring, reducing the overall tract by eight hundred eighty (880) acres.

Based on the USFS Record of Decision, the BLM offered for lease the Mill Fork Tract excluding the eight hundred eighty (880) acres (total tract approximately five thousand six hundred sixty three [5,663] acres, refer to Figure 1). The modified lease excluded the northeastern portion of the lease tract which encompasses the Little Bear Canyon watershed (designated as a Municipal Water Supply [MWS]). Exclusion of the eight hundred eighty (880) acres was intended to protect the Little Bear MWS and minimize potential disruptions or degradation to surface and groundwater resources.

On June 6, 2000~~In 2001~~, Genwal Resources Inc. re-applied for the eight hundred eighty (880) acres which were excluded during the 1997 Environmental Assessment for the Mill Fork Tract. Bureau of Land Management and United States Forest Service ~~will~~ evaluated the Lease-By-Application (LBA U-78593) referred to as the South Crandall Canyon Tract and issued the FONSI on February 18, 2003. Genwal Resources acquired the South Crandall coal lease on June 12, 2003.

MILL FORK STATE LEASE ML-48258 ACQUISITION

PacifiCorp successfully acquired the Mill Fork Lease and entered COAL MINING LEASE AND AGREEMENT with the State of Utah on April 1, 1999. The coal tract as described in the lease contains approximately 5,562.82 acres, more or less. With the leasing of the Mill Fork Tract in 1999, PacifiCorp controls through ownership and leasing certain fee coal lands together with assigned federal coal leases nearly 30,000 acres of contiguous minable property located in Emery County, Utah.

MILL FORK WEST EXTENSION TRACT LBA/UTU-84285

On January 25 (revised March 20), 2006, PacifiCorp filed an application for a federal coal lease by application (LBA) for access to unleased federal coal adjacent to the Mill Fork State Lease. The serial number assigned to this LBA is UTU-84285.

Leasing of the Mill Fork West Extension Tract would encourage and enable the greatest ultimate recovery and conservation of this natural resource, while promoting full development of the economically recoverable coal located between the western lease line of the Mill Fork State Lease ML-84258 and the Joes Valley Fault zone which would otherwise become subject to bypass. This would be accomplished by allowing westward mine development and extraction beyond the existing Mill Fork western lease boundary until mining advancement is terminated due to the actual location of the Joes Valley Fault. Mine development and extraction would include extending the current proposed gateroads, bleeders and setup entries, and longwall panels into the proposed lease tract in an attempt to maximize coal recovery where possible; provided geologic, engineering, safety, environmental and economic conditions are conducive and in the best interest of all entities considered.

DEER CREEK MINE AND RECLAMATION PLAN

On March 5, 2003 the Division of Oil, Gas & Mining approved the inclusion of the Mill Fork State Lease ML-48258 (5,562.8 acres) to the Deer Creek Mine permit. ~~PacifiCorp is proposing to expand the Deer Creek Mine to include the Mill Fork lease. This expansion would involved increasing the acreage of the Deer Creek permit by 5,562.82 acres to approximately 24,523 acres.~~ As stated above, on January 25 (revised March 20), 2006, PacifiCorp filed an application for a federal coal lease by application, serial number UTU-84285 (213.57 acres), for access to unleased federal coal adjacent to the Mill Fork State Lease. Together, the Mill Fork State Lease

(5,562.8 acres) and the Federal lease UTU-84285 (213.57 acres) increased the Deer Creek permit area by 5,776.37 acres. Because of the geographic location, the Mill Fork State Lease and adjacent Federal Lease UTU-84285 proposed new area of expansion is referred to as the “Mill Fork Permit Area”. This application addresses only proposed Mill Fork permit area, refer to the highlighted area shown on Figure 1.

All mining activities associated with the Mill Fork permit area will be through underground mining operations. Mine plan layouts (Hiawatha Seam) depicted in R645-301-500 Engineering Section, indicate potential portal breakouts located in Crandall Canyon, (Section 5, Township 16 South Range 7th East SLB&M), within a 2.41 acre right-of-way easement acquired from Andalex Resources/Intermountain Power Agency . The location of the portal breakouts are considered preliminary at this point and will be evaluated and designed based upon future surface coal exploration programs and mine plan considerations. Prior to any surface disturbance, Energy West will secure all necessary permits.

~~All disturbance to the Mill Fork permit area will be through underground mining activities. Mine plan layouts (Blind Canyon Seam) depicted in R645-301-500, indicate potential portal breakouts located in Crandall Canyon upstream from the existing Crandall Canyon Mine operated by Genwal Resources. The location of the portal breakouts are considered preliminary at this point and will be evaluated and designed based upon future surface coal exploration programs. Prior to planned development, PacifiCorp will comply to Special Stipulations #5 in the Mill Fork Coal Lease, “The limited area available for mine facilities at the coal outcrop, steep topography, adverse winter weather, and physical limitations on the size and design of access roads, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major improvements to existing developments to examine alternatives and mitigate conflicts”.~~

It is proposed to transport coal mined in the Hiawatha (lower) and Blind Canyon (upper) seams

through the existing Deer Creek mine workings to the portal in Deer Creek Canyon. From this point, the coal will be transported to the Huntington Power Plant coal storage area via the existing overland beltline. All coal mined from the Mill Fork area Tract will be utilized as fuel for the applicant's owned power plants.

PERMIT ORGANIZATION

The following sections of this mining application pertain to all applicable coal mine permit application requirements of the Utah R645-Coal Mining Rules (revised March 25, 2002).

Applicable sections herein include:

Introduction

R645-301-100. General Information

R645-301-200. Soils

R645-301-300. Biology

R645-301-400. Land Use and Air Quality

R645-301-500. Engineering

R645-301-600. Geology

R645-301-700. Hydrology

R645-301-800. Bonding